

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF FINANCIAL ASSISTANCE**

1800 Third Street, Suite 390
P. O. Box 952054
Sacramento, CA 94252-2054
(916) 322-1112
FAX (916) 323-6660

**SEEDS****State Enterprise and Economic Development Section****MANAGEMENT MEMORANDUM****Memorandum 8-07**

Date: August 22, 2008

TO: Enterprise Zone Coordinators

From: Frank Luera, Chief
State Enterprise and Economic Development Section

SUBJECT: LAMBRA Designation Periods

This memorandum presents the Department of Housing and Community Development's (Department) plans to determine the designation status of each Local Agency Military Base Recovery Area (LAMBRA). It also introduces the Department's intention to establish guidelines for the designation periods and their extension.

Since AB 2875, Conditions Govern Designation Date

Prior to the approval of Assembly Bill 2875 in 2002, the legislation that established the LAMBRA program set the designation period for each LAMBRA as eight years. Although AB 2875 confirmed eight years as the designation period, it stated that this eight-year period would begin after the later of two conditions had been met. Specifically, it stated that the designation period for a LAMBRA shall expire eight years after the Department determines that the later of the following conditions have been met:

- The governing body of the LAMBRA has notified the Department that the federal government has transferred to the governing body legal title to the economic development parcels at the former base; or
- The governing body of the LAMBRA has notified the Department that vouchers have been issued to an employer that has entered into a lease or received title to property located within the LAMBRA.

The fulfillment of these conditions, therefore, represents the initiation of the eight-year period.

AB 2875 Affected a LAMBRA's Original Designation Period

The passage of AB 2875 established new guidelines for a LAMBRA's designation period. Prior to its enactment, the California Trade and Commerce Agency ("State Agency"), which administered

the LAMBRA program prior to the Department, had executed a Memorandum of Understanding (MOU) with each LAMBRA that recognized an eight-year designation period. Although the MOU did not specify the designation or expiration date of the LAMBRA, both the State Agency and the LAMBRAs considered the date they signed the MOU as the start date for the eight-year period. Consequently, the LAMBRAs understood that their designations would expire eight years from this date.

AB 2875 changed the effective date of each LAMBRA's eight-year period. Because AB 2875 stated that a LAMBRA would begin its eight-year period after it fulfilled the later of two conditions, the legislation in effect changed the designation period stated or implied in the MOUs executed by the State Agency and signed by the LAMBRAs. This change occurred because most, if not all, of the LAMBRAs in 2002 had not met the later of the two conditions. Therefore, according to AB 2875, their eight-year period had not begun.

The conditions set forth in AB 2875 indicated that the State had to modify the terms of the original MOUs. However, based on our research, it appears that the State did not fully or accurately implement these modifications. For example, we found only two instances in which the State executed new memoranda of understanding. In both instances, the State concluded that the LAMBRAs had met the later of the two conditions specified in AB 2875 and, therefore, had begun their eight-year designation period. Upon further review, we found that at least one of these LAMBRAs had not transferred its economic development parcels as required by one of the conditions and, therefore, should not have started its designation period.

State May Need To Modify MOUs

The Department's findings on the history of the LAMBRA MOUs indicate that it should re-assess the status of each LAMBRA's designation period. Recent events also suggest that some LAMBRAs are uncertain about their active status. For example, over the last two years, several jurisdictions have requested that the Department extend their LAMBRA designations beyond the eight-year period. In most of these instances, the jurisdictions asserted that the Department should extend their designation period because their LAMBRAs had not met at least one condition, most often the transfer of the economic development parcels. Initially, because the Department agreed that the Government Code required the satisfaction of the two conditions as a prerequisite for the designation period, it granted the extensions for up to a one-year period. However, upon further review, the Department has determined that it should re-evaluate this practice and set new guidelines for these extensions to ensure that they are consistent with AB 2875.

Survey Planned To Determine Status of Conditions

As part of an effort to re-assess each LAMBRA's designation period, the Department will survey in the next few weeks all of the LAMBRAs to determine whether they have met the conditions specified in AB 2875. This survey may include a site visit to review any relevant documentation and to evaluate the LAMBRA's overall progress in anticipation of a future audit. The Department will shortly contact each LAMBRA to schedule both the survey and the site visit.

Resolution of MOUs and Extensions Placed on Hold

Because the Department plans to re-assess each LAMBRA's designation period, it will place on hold any decisions on the MOUs or on any requests for extensions of designation periods. Until

further notice, LAMBRAs whose designation periods have expired should continue to operate as active LAMBRAs. Once the Department completes the surveys, it will notify the LAMBRAs of the results and prepare, if necessary, an MOU or amendment to implement any changes to the current designation periods.

If you would like to discuss the LAMBRA Program, please call me at (916) 327-2862.